

## HOUSE BILL NO. 509

INTRODUCED BY H. JACOBSON

A BILL FOR AN ACT ENTITLED: "AN ACT ADJUSTING DOLLAR AMOUNTS USED IN COMPUTING THE RESIDENTIAL PROPERTY TAX CREDIT FOR THE ELDERLY TO ACCOUNT FOR INFLATION SINCE EACH AMOUNT WAS LAST CHANGED; ADJUSTING HOUSEHOLD INCOME AMOUNTS, THE HOUSEHOLD INCOME ADJUSTMENT AMOUNT, AND THE MAXIMUM AMOUNT OF THE CREDIT ALLOWABLE; PROVIDING FOR FUTURE ANNUAL INFLATION ADJUSTMENTS; AMENDING SECTIONS 15-30-171, 15-30-172, AND 15-30-176, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 15-30-171, MCA, is amended to read:

**"15-30-171. Residential property tax credit for elderly -- definitions.** As used in 15-30-171 through 15-30-179, the following definitions apply:

(1) "Claim period" means the tax year for individuals required to file Montana individual income tax returns and the calendar year for individuals not required to file returns.

(2) "Claimant" means a person who is eligible to file a claim under 15-30-172.

(3) "Department" means the department of revenue.

(4) "Gross household income" means all income received by all individuals of a household while they are members of the household.

(5) "Gross rent" means the total rent in cash or its equivalent actually paid during the claim period by the renter or lessee for the right of occupancy of the homestead pursuant to an arm's-length transaction with the landlord.

(6) "Homestead" means:

(a) a single-family dwelling or unit of a multiple-unit dwelling that is subject to property taxes in Montana and as much of the surrounding land, but not in excess of 1 acre, as is reasonably necessary for its use as a dwelling; or

(b) a single-family dwelling or unit of a multiple-unit dwelling that is rented from a county or municipal

housing authority as provided in Title 7, chapter 15.

(7) "Household" means an association of persons who live in the same dwelling, sharing its furnishings, facilities, accommodations, and expenses. The term does not include bona fide lessees, tenants, or roomers and boarders on contract.

(8) (a) "Household income" means the amount obtained by subtracting ~~\$6,300~~ \$7,500 from gross household income.

(b) By November 1 of each year, the department shall multiply the dollar amount in subsection (8)(a) by the inflation factor for that tax year and round the product to the nearest \$50. The resulting household income adjustment amount is effective for that tax year and must be used in calculating the tax credit allowed under 15-30-171 through 15-30-179.

(9) (a) "Income" means, except as provided in subsection (9)(b), federal adjusted gross income, without regard to loss, as that quantity is defined in the Internal Revenue Code of the United States, plus all nontaxable income, including but not limited to:

(i) the amount of any pension or annuity, including Railroad Retirement Act benefits and veterans' disability benefits;

(ii) the amount of capital gains excluded from adjusted gross income;

(iii) alimony;

(iv) support money;

(v) nontaxable strike benefits;

(vi) cash public assistance and relief;

(vii) interest on federal, state, county, and municipal bonds; and

(viii) all payments received under federal social security except social security income paid directly to a nursing home.

(b) For the purposes of this subsection (9), income is reduced by the taxpayer's basis.

(10) "Property tax billed" means taxes levied against the homestead, including special assessments and fees but excluding penalties or interest during the claim period.

(11) "Rent-equivalent tax paid" means 15% of the gross rent."

**Section 2.** Section 15-30-172, MCA, is amended to read:

**"15-30-172. Residential property tax credit for elderly -- eligibility.** (1) In order to be eligible to make

1 a claim under 15-30-171 through 15-30-179, an individual:

2 (a) must have reached age 62 or older during the claim period for which relief is sought;

3 (b) must have resided in Montana for at least 9 months of that period;

4 (c) must have occupied one or more dwellings in Montana as an owner, renter, or lessee for at least  
5 6 months of the claim period; and

6 (d) must have less than ~~\$45,000~~ \$50,000 of gross household income.

7 (2) A person is not disqualified as a claimant if the person changes residences during the claim period,  
8 provided that the person occupies one or more dwellings in Montana as an owner, renter, or lessee for at least  
9 6 months during the claim period.

10 (3) By November 1 of each year, the department shall multiply the dollar amount in subsection (1)(d)  
11 by the inflation factor for that tax year and round the product to the nearest \$50. The resulting adjusted  
12 household income amount is effective for that tax year and must be used in calculating the tax credit allowed  
13 under 15-30-171 through 15-30-179."

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15 **Section 3.** Section 15-30-176, MCA, is amended to read:

16 **"15-30-176. Residential property tax credit for elderly -- computation of relief.** The amount of the  
17 tax credit granted under the provisions of 15-30-171 through 15-30-179 is computed as follows:

18 (1) In the case of a claimant who owns the homestead for which a claim is made, the credit is the  
19 amount of property tax billed less the deduction specified in subsection (4).

20 (2) In the case of a claimant who rents the homestead for which a claim is made, the credit is the  
21 amount of rent-equivalent tax paid less the deduction specified in subsection (4).

22 (3) In the case of a claimant who both owns and rents the homestead for which a claim is made, the  
23 credit is:

24 (a) the amount of property tax billed on the owned portion of the homestead less the deduction specified  
25 in subsection (4); plus

26 (b) the amount of rent-equivalent tax paid on the rented portion of the homestead less the deduction  
27 specified in subsection (4).

28 (4) Property tax billed and rent-equivalent tax paid are reduced according to the following schedule:

29 Household income	Amount of reduction
30 \$0 - <del>\$999</del> <u>\$4,499</u>	\$0

1	<del>\$1,000 - \$1,999</del>	<del>\$0</del>
2	<del>\$2,000</del> <u>\$4,500</u> - <del>\$2,999</del> <u>\$6,749</u>	the product of .006 times the household income
3	<del>\$3,000</del> <u>\$6,750</u> - <del>\$3,999</del> <u>\$8,999</u>	the product of .016 times the household income
4	<del>\$4,000</del> <u>\$9,000</u> - <del>\$4,999</del> <u>\$11,249</u>	the product of .024 times the household income
5	<del>\$5,000</del> <u>\$11,250</u> - <del>\$5,999</del> <u>\$13,499</u>	the product of .028 times the household income
6	<del>\$6,000</del> <u>\$13,500</u> - <del>\$6,999</del> <u>\$15,749</u>	the product of .032 times the household income
7	<del>\$7,000</del> <u>\$15,750</u> - <del>\$7,999</del> <u>\$17,999</u>	the product of .035 times the household income
8	<del>\$8,000</del> <u>\$18,000</u> - <del>\$8,999</del> <u>\$20,249</u>	the product of .039 times the household income
9	<del>\$9,000</del> <u>\$20,250</u> - <del>\$9,999</del> <u>\$22,249</u>	the product of .042 times the household income
10	<del>\$10,000</del> <u>\$22,500</u> - <del>\$10,999</del> <u>\$24,749</u>	the product of .045 times the household income
11	<del>\$11,000</del> <u>\$24,750</u> - <del>\$11,999</del> <u>\$26,999</u>	the product of .048 times the household income
12	<del>\$12,000</del> <u>\$27,000</u> & over	the product of .050 times the household income

13 (5) For a claimant whose household income is ~~\$35,000~~ \$40,000 or more but less than ~~\$45,000~~ \$50,000,  
 14 the amount of the credit is equal to the credit calculated under this section multiplied by the decimal equivalent  
 15 of a percentage figure according to the following table:

16	Gross household income	Percentage of credit allowed
17	<del>\$35,000</del> <u>\$40,000</u> - <del>\$37,500</del> <u>\$42,500</u>	40%
18	<del>\$37,501</del> <u>\$42,501</u> - <del>\$40,000</del> <u>\$45,000</u>	30%
19	<del>\$40,001</del> <u>\$45,001</u> - <del>\$42,500</del> <u>\$47,500</u>	20%
20	<del>\$42,501</del> <u>\$47,501</u> - <del>\$44,999</del> <u>\$49,999</u>	10%
21	<del>\$45,000</del> <u>\$50,000</u> or more	0%

22 (6) The credit granted may not exceed ~~\$1,000~~ \$1,250.

23 (7) By November 1 of each year, the department shall multiply all the dollar amounts provided in this  
 24 section by the inflation factor for that tax year and round the products to the nearest \$50. The resulting adjusted  
 25 household income amounts and maximum credit amount are effective for that tax year and must be used in  
 26 calculating the tax credit allowed under 15-30-171 through 15-30-179."

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28 NEW SECTION. Section 4. Effective date. [This act] is effective on passage and approval.

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30 NEW SECTION. Section 5. Retroactive applicability. [This act] applies retroactively, within the

1 meaning of 1-2-109, to tax years beginning after December 31, 2004.

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